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GENERAL

1. Soviet naval vessels sighted near Tsingtao:

A Soviet naval force consisting of two World War II type destroyers, two coastal submarines, and two small mine-sweepers was sighted on 11 October in the Yellow Sea about 110 miles southeast of the Shantung Peninsula, apparently heading toward Tsingtao. The convoy's port of departure is unknown. A small amount of deck cargo was observed on the destroyers.

Comment: The composition of the naval force and the presence of deck cargo suggest that the vessels are not on a training or good-will cruise, but are being transferred to the Chinese Communist navy at Tsingtao. The Chinese Communist navy has three or four submarines but no destroyers.

A lack of surface vessels as large as destroyers has undoubtedly been a deterrent to Communist amphibious assaults on the Nationalist-held offshore islands. The delivery of these ships to the Chinese Communists would increase the threat to the Nationalist navy, whose antisubmarine defenses are weak. Nationalist ships are particularly vulnerable in the Tachen Islands area, where the Nationalist air force has been unable to provide effective air support for naval units.

2. Comment on Sino-Indian trade agreement:

The first general Sino-Indian trade pact, signed on 14 October, appears to have been political rather than economic in purpose, like the trade agreements recently signed by Communist China with Indonesia and Ceylon and about to be signed with Burma. The signing of the Sino-Indian agreement on the eve of Nehru's departure for Peiping is, however, unlikely to affect the outcome of his visit there.

The commodities to be exchanged--with the exception of tires, tubes, and motor vehicles which are still

embargoed to China by most other countries--are not of special interest unless it develops that they are to be shipped in considerable quantities. No significant expansion of trade between the two countries is anticipated.

FAR EAST

3. Opposition to Rhee's attitude on American aid program developing in Korea:

Delay in reaching a final agreement on the American aid program is clearly influencing South Korean political developments, according to Ambassador Briggs in Seoul.

Three committees of Rhee's Liberal Party have adopted a resolution advising him to replace the ministers of finance, commerce, agriculture and the director of the Office of Planning for failure to solve economic problems, specifically rising prices. The resolution suggested a need for "responsible administration."

Ambassador Briggs observes that divisions existing within the party are coming to a head and that Rhee, who has been deeply absorbed in international affairs, must soon decide whether to force a showdown with dissatisfied elements.

Comment: The resolution attacking cabinet ministers is an indirect slap at Rhee, who has attributed South Korean economic difficulties to "inadequate and wasteful" American aid. Independent editorial comment is also expressing anxiety regarding the government's economic policies and is beginning to question the government's version of current difficulties with the United States. This probably accounts for Rhee's suggestion on 13 October that Seoul's newspapers be reduced from ten to two or three. (SECRET)

4. Communist troops may be staging for attacks on Quemoy:

[redacted] Chinese Communist activity near the Quemoy islands increased substantially on 14 October. Supply movements of "many" vehicles were noted in all Communist areas near the islands, and troops were observed conducting training, moving weapons, and building fortifications.

Moreover, Nationalist reconnaissance of Communist junks and other shipping in the Quemoy area on the same day indicated that the troop-lift capacity of these vessels was 52,000. Capacity of shipping normally found near the Quemoy islands is about 20,000.

[redacted]
They believe a direct attack on Big Quemoy, with the equipment and troops presently available to the Communists in the area, would not be successful.

Comment: [redacted]

[redacted] only one Communist army of 50,000 troops, plus elements of a water transport division, is located in the immediate vicinity of the Quemoy islands. [redacted]

[redacted] Communist strength in the area has been increased since August, and it is possible that sufficient forces are available to make a successful attack on both Quemoy islands. Little Quemoy and lesser islands to the southwest could probably be taken with one army.

SOUTHEAST ASIA

5. Comment on Vietnamese premier's use of military promotion power:

[redacted]
Premier Ngo Dinh Diem's promotion of a Vietnamese army colonel to the rank of general without prior consultation

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with General Hinh will intensify the bitterness between the premier and his chief of staff, and make more difficult a compromise between the government and the army.

The newly named general, Le Van Ty, is commander of the Vietnamese forces in the Saigon area, and while still subject to Hinh's orders is presumably in a position to offer some obstruction to any coup Hinh may attempt. Nothing is known of Ty's feeling regarding the current political crisis, but his promotion suggests he favors Diem.

Diem's decision to by-pass Hinh and deal directly with army officers reflects his feeling that compromise with Hinh is neither desirable nor possible. He has emphatically rejected advice that he appoint Hinh's associate, General Xuan, to the post of defense minister. He believes that there is more genuine patriotism among the Binh Xuyen gangsters than among the Hinh clique, and his attempts to broaden his government have been directed toward negotiations--still inconclusive--with the Binh Xuyen.

SOUTH ASIA

6.

[redacted] Nehru's circular letter to Congress Party members stating his desire to relinquish some of his responsibilities was not a political stunt but a true expression of his thoughts.

[redacted] Rajagopalachari, former governor general of India, was probably Nehru's choice as the next president of the Congress Party, while V. K. Krishna Menon, leader of India's UN delegation, had definitely been chosen as Nehru's eventual successor as foreign minister. No firm choice for the post of prime minister had yet been made.

The secretary general of the Indian Ministry of External Affairs told the American chargé on 14 October, however, that he had been informed there would be no hasty action.

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Comment: Nehru is most unlikely to give up the post of prime minister while major international problems remain which he thinks he can help solve. He might quit the presidency of the Congress Party, since he has no interest in the party organization as such and can control its policies as prime minister.

Rajagopalachari, one of India's three most respected statesmen, might be willing to take over the party presidency despite his advanced age and uncertain health. There would be opposition in many quarters to Krishna Menon as foreign minister, and he cannot be considered a firm candidate for this post.

NEAR EAST - AFRICA

7. Egyptian university faculty and students plan antiregime activities:

	Students and professors of Alexandria University plan to start antiregime activities with the reopening of the universities.

Comment: The regime has managed to postpone since early September the reopening of the three universities which have become a major center of opposition to the Nasr regime. Despite efforts to tighten control, including widespread reorganization and the appointment of a new minister of education, the universities with large Wafdist and Moslem Brotherhood factions are likely to continue as a serious threat to the regime in terms of their rabble-rousing ability.

Alexandria, the scene of serious anti-regime demonstrations in July, is a stronghold of pro-Nagib sentiment and accordingly a favorable site for such demonstrations in future.

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